

**HOUSING AUTHORITY OF THE CITY OF OTHELLO**  
**Adams County, Washington**  
**July 1, 1992 Through June 30, 1993**

---

**Schedule Of Findings**

---

1. Accounting For Fixed Assets Should Comply With Federal Requirements

The housing authority's accounting for fixed assets is not sufficient. There is no comprehensive fixed asset ledger maintained to support the general ledger, land, structure, and equipment balance. An annual physical inventory is not conducted.

For any fixed assets purchased with federal funds, the Office of Management and Budget (OMB), "Common Rule," Section .32[d] Management Requirements, states in part:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date, and cost of the property, percentage of federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft should be investigated . . . .

The U.S. Department of Housing and Urban Development (HUD) *Low-Rent Accounting Handbook 7510.1*, Chapter 7, requires that an annual inventory of expendable and nonexpendable equipment be conducted.

Because fixed assets are not properly accounted for, there is an increased risk that errors or irregularities may occur and not be detected in a timely manner. In addition, we are unable to verify the accuracy of fixed assets as presented in the financial statements.

Housing authority officials are aware of the above described condition and have already initiated procedures aimed at identifying assets and their valuation.

We recommend that housing authority officials continue their efforts to establish an adequate fixed asset accounting system and conduct annual physical inventories.